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CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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GENERAL

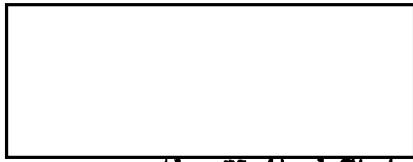
1. Swiss and Swedes to make divergent NNSC proposals:

According to the American ambassador in Sweden, the Swedish Foreign Ministry has ordered its representative on the Neutral Nations Supervisory Commission (NNSC) in Korea to propose the abolition of the fixed inspection teams, a drastic reduction in personnel, and withdrawal of the remaining personnel to the demilitarized zone. If this proposal is rejected or action on it is delayed unduly, the Swedes will give "strong indication" that they will withdraw from the commission.

The Swiss, however, insist on a literal interpretation of the armistice agreement in order to maintain their position as neutrals in the future, according to the American ambassador in Bern. They reject the abolition of the teams, but are prepared to insist on a reduction of personnel.

Comment: The divergence of positions taken by Sweden and Switzerland on the modification of the agreement governing supervision of the Korean truce may favor the Communists and frustrate the UN Command's objective of having NNSC personnel leave South Korea.

The Communists have indicated a willingness to negotiate a reduction in personnel, but specify that current inspection procedures must not be impaired.

2. Britain, France press United States on disarmament issue:

The British and French delegates at the UN disarmament subcommittee meetings in London are, with every sign of prior co-ordination, bringing increasing pressure on the United States to accept an amendment to the four-power resolution of 8 March. The proposed amendment provides that the

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elimination of nuclear weapons be simultaneous with the beginning of the fourth and final phase of an agreed plan to reduce armed forces and conventional weapons.

The American delegation believes that the French-British amendment springs from the French desire to conciliate the USSR and the British desire to point to some "bold new" disarmament move by election time. The British delegate has admitted as much.

Comment: The fact that an election may be near adds urgency to the importance the British have attached to the necessity of the West's showing a positive approach to the disarmament issue.

Moch is determined that the current talks should continue unless they are broken off by the USSR. He may hope to avoid a long stalemate by confronting the Soviet delegate with evidence of American "reasonableness."

SOVIET UNION

3. Malenkov reportedly accused of favoring German unity at expense of East Germany:

Before Malenkov's resignation as premier the Soviet Communist Party allegedly accused him of supporting a proposal of Beria to halt Soviet efforts to socialize East Germany and to permit the reunification of Germany as a bourgeois democracy serving as a buffer between East and West. The accusation was presented in the official Communist Party version of the charges against Malenkov issued on 31 January by the presidium of the central committee,

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Neither Malenkov's statements nor the actions of his regime indicate that he favored such a policy. The use of this charge against him by the present leaders would suggest that they do not envisage any change in the satellite status of the German Democratic Republic, despite the fact that they are spreading rumors that their only condition for unification is neutrality.

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NEAR EAST - AFRICA

6. Iraq apparently operates clandestine "Voice of Free Egypt":

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[Redacted] A radio station calling itself the "Voice of Free Egypt," apparently located in Baghdad, has proclaimed a "state of organized resistance" against Egyptian prime minister Nasr and his "gang."

The station made its appearance about 5 April, when it inaugurated a daily, hour-long program of denunciation of Egypt's Revolutionary Command Council.

Comment: The "Voice" appears to be Baghdad's answer to Cairo's campaign against Iraqi prime minister Nuri Said because he recently concluded a defense pact with Turkey. It is the first known use of clandestine radio by one Arab government against another.

Tension between the two countries may now be considerably heightened. The Egyptian regime may intensify its efforts--which Prime Minister Nasr has recently allowed to slacken--to persuade Syria to join Egypt and Saudi Arabia in an anti-Iraqi defense pact.

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LATIN AMERICA

7. Brazilian cabinet shifts may trigger army coup:

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[Redacted] The Brazilian army may move to force President Café Filho to resign if additional cabinet changes cause further demoralization of the government, according to the American embassy in Rio de Janeiro.

The embassy reported on 6 April that army unrest had been heightened by the disclosure of a political "deal" resulting in the resignation of two ministers and the president of the central bank.

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An unconfirmed press report of 7 April stated that all members of the cabinet had proffered their resignations.

Comment: The military's concern over Café Filho's ineffectual leadership of the government has increased markedly in recent months, particularly within the so-called "colonels' group." This group has become an effective political force in the past two years and might be able to override the apparent opposition of key Brazilian generals to a coup at this time.

The army's concern stems mainly from the government's failure to counter the presidential aspirations of the major opposition candidate, Juscelino Kubitschek, who is closely linked with former adherents of the late President Vargas.

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THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group
for the Formosa Straits Problem

This report is based on information received in Washington up to 1100 hours 7 April 1955.

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1. No significant military activity occurred.
2. Chinese Nationalist Defense Minister Yu Ta-wei has been telling various US officials that
 - 1) Free China is anxious to "stabilize the front" and avoid war. Military aid and training programs are in any event not sufficiently advanced to permit sizable operations before another year.
 - 2) The US can "stabilize the front" by simply announcing that it will defend Quemoy and Matsu, and
 - 3) Short of this commitment, it would be helpful if the US were to station tactical air units on Formosa continuously.

Yu Ta-wei's comments on the surface would appear to indicate a shift in the policy of the Chinese Nationalist Government. His statements on stabilizing the front represents an approach which will have a broad appeal both in the US and among our allies. Actually, it is considered that Yu's statements do not represent a change in basic policy, but are merely another attempt by the Chinese Nationalists to obtain additional US military commitments.

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